



Petroleum Market Report

February 20, 2001

Energy Information Administration
Office of Oil & Gas

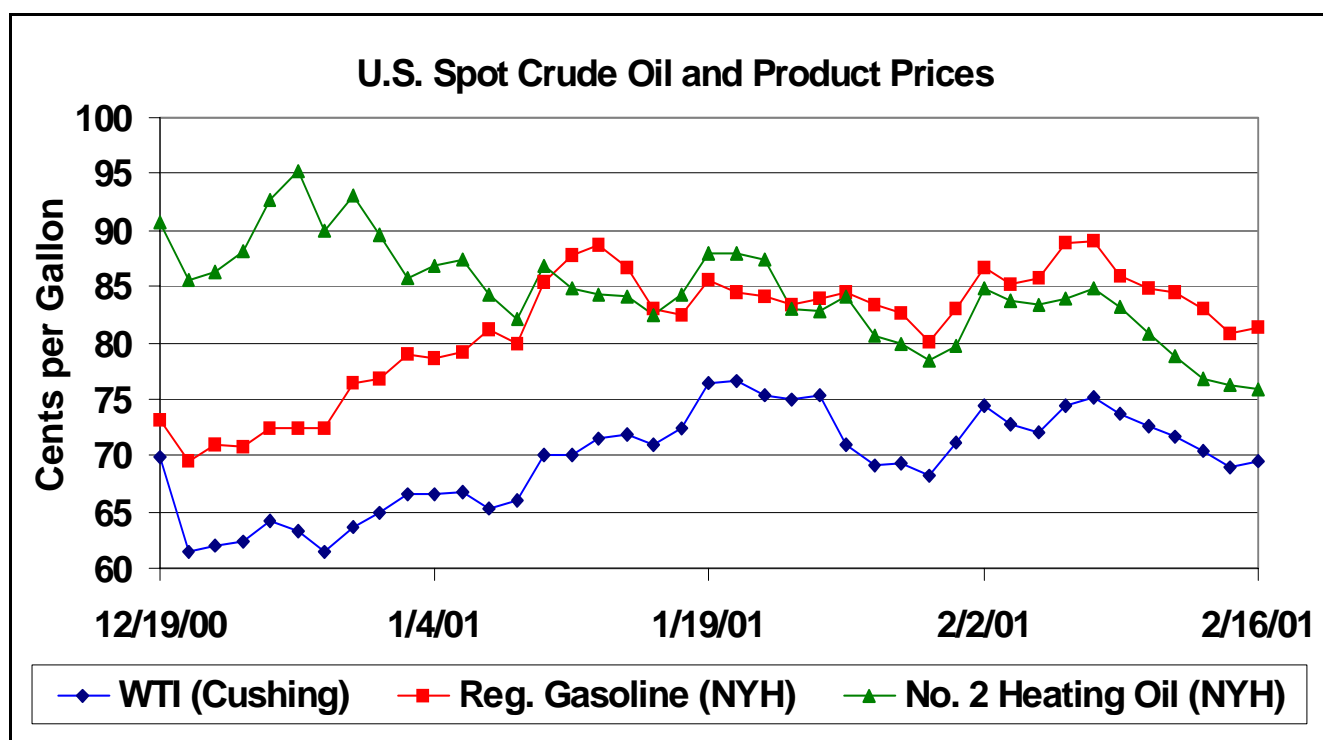
MARKET SUMMARY

Oil prices on U.S. and global spot and futures markets moved steadily downward for most of last week, continuing a decline begun the previous Friday. While prices decreased across the board for five straight sessions through Thursday, February 15, the major market influences were downward demand forecast revisions by both IEA and EIA, and a perception that OPEC was unlikely to make further output reductions at its March meeting. As the week concluded ahead of the extended President's Day weekend, however, several OPEC members joined the call for consideration of further quota cuts in light of continued price declines. Additional market factors during the week included milder temperatures, comments from the Federal Reserve chairman, and the return of several refineries from scheduled maintenance. (The bombing of Iraqi military radar sites by U.S. and British aircraft occurred after market closing on Friday.)

Crude oil - prices led markets down through Thursday, driven by the appearance of weakening demand and unwavering supply, seen as likely to help rebuild low global inventories over the coming months. Federal Reserve Chairman Alan Greenspan's prediction of a coming slowdown of the U.S. economy added to bearish sentiment fostered by lowered petroleum demand forecasts. A second straight weekly U.S. stockbuild, leaving inventories slightly higher than a year ago, was also seen as a factor.

Gasoline - crack spreads over crude oil remained steady, despite the completed or pending restarts of a number of refineries after winter turnarounds. Stocks fell slightly in the week ending February 9, ending about 4 million barrels lower than a year ago.

Distillate - prices outpaced the decline in crude oil, and continued to ease through Friday, February 16, taking New York Harbor spot heating oil to its lowest level since July 2000. Stocks rose slightly in the previous week, ending 10 million barrels higher than a year ago, and near their season average range.



CHRONOLOGY OF RECENT MARKET EVENTS

- 2/16 - mixed** - most prices turned upward ahead of the extended holiday weekend, with only spot distillates continuing to decline. Shortcovering after recent losses and ahead of the holiday was seen as a major factor, along with a shift in OPEC sentiments toward a further output cut in March. An attack by U.S. and British planes on Iraqi air defense radars came after NYMEX closing.
- 2/15 - falling** - all prices fell for a fifth straight day, extending losses since last Friday to more than \$2.50 per barrel for crude, and 8 cents per gallon for New York Harbor spot products. Amid a lack of new developments, traders cited the accumulated weight of recent downward revisions in demand forecasts, along with doubts that OPEC will cut production soon.
- 2/14 - falling** - crude oil and product prices continued downward, following weekly supply reports from API and EIA showing a larger-than-expected crude oil stockbuild. Technical trading, tending to extend the decline that began on Friday, was also cited.
- 2/13 - falling** - prices declined across the board, following comments by Federal Reserve Chairman Alan Greenspan forecasting a major U.S. economic slowdown. Anticipation of the weekly API and EIA supply reports, expected to show a crude oil stockbuild, was also seen as a bearish factor.
- 2/12 - falling** - spot and futures prices fell for a second day, as traders and analysts digested a lower global oil demand forecast from the International Energy Agency. Distillate prices were by far the weakest, attributed to forecast milder temperatures this week.
- 2/9 - falling** - all prices dropped in profit-taking after midweek gains, with gasoline the weakest on expected imports and refineries returning from maintenance. OPEC members continued to weigh in on desirable output levels, with Iran and Indonesia calling for further cuts, while Venezuela prefers to wait for further evidence.
- 2/8 - rising** - prices rose marketwide for a second day, led by gains in distillates attributed to forecasts for colder temperatures in much of the U.S. A car bombing in Jerusalem also pushed prices upward, countered somewhat by reports of resumed Iraqi exports through Ceyhan.
- 2/7 - rising** - gasoline led all prices higher, following an unexpected stockdraw in both the API and EIA weekly supply reports. OPEC comments, including expected 1.4-million-barrel-per-day world demand growth for the year, were also seen as supportive to markets.
- 2/6 - mixed** - crude oil and distillate prices fell again, while gasoline posted modest increases, ahead of the weekly API and EIA supply reports. Expectations of a crude oil stockbuild, along with a downward revision in EIA's 2001 demand forecast, were cited as factors softening prices.
- 2/5 - falling** - all prices eased, dropping back after two days of strong gains at the end of the previous week. Comments by Saudi Arabia's oil minister, that current prices were reasonable and no further OPEC cuts were needed, sent markets lower, aided by forecasts of milder temperatures.